

# Rural development: support by the European Agricultural Fund for Rural Development (EAFRD)

2009/0011(CNS) - 28/01/2009 - Legislative proposal

**PURPOSE:** to amend Regulation 1698/2005 to allow Member States to use additional funds for rural development programmes within the framework of the European Economic Recovery Plan (EERP).

**PROPOSED ACT:** Council Regulation

**BACKGROUND:** the Council of the EU of 11 and 12 December 2008 agreed on a European Economic Recovery Plan (EERP), which envisages the initiation of priority action to enable European economies to adjust more rapidly to current challenges, based on an effort equivalent in total to around 1.5% of European Union GDP (a figure amounting to around EUR 200 billion). This proposal is designed to aid rural communities, which can be amongst the most vulnerable to economic downturn. One of the most important tools in the modern economy is broadband internet. The EERP sets out a goal of developing broadband networks to achieve a full 100% high-speed internet coverage by 2010. It also underlined the need to upgrade the performance of many existing networks, alongside efforts to promote competitive investments in fibre networks and free up spectrum for wireless broadband.

The EU already uses rural development to promote growth in rural economies and the overall health of rural society. The "Health Check" of the CAP identified a series of new challenges of particular relevance to European agriculture. The proposal is designed to help tackle these challenges more quickly.

**CONTENT:** it is proposed that EUR 1.5 billion should be made available to all Member States via the European Agricultural Fund for Rural Development (EAFRD), with a view to developing broadband internet in rural areas and to strengthening the new challenges as defined in the context of the assessment of the 2003 midterm reform of the Common Agricultural Policy ? the "Health Check" ? which was completed in November 2008. One third of this amount (EUR 0.5 billion) should be spent on new-challenges related operations and two-thirds (EUR 1 billion) on developing broadband internet infrastructure in rural areas. By June 2009 Member States and regions will have to propose a modification of their Rural Development Programme, which have to incorporate the option for investments in broadband infrastructure. Member States and regions can authorise projects from the date of submission of the modification request.

The types of operations that can be supported are:

- creation of new broadband infrastructure including backhaul facilities (e.g. fixed, terrestrial wireless, satellite-based or combination of technologies);
- upgrade of existing broadband infrastructure;
- laying down passive broadband infrastructure (e.g.: civil engineering works such as ducts, and other network elements such as dark fibre, etc.) also in synergy with other infrastructures (energy, transport, water, sewerage networks etc.).

Projects can benefit from higher co-financing rates in 2009:

- 90% in Convergence regions;
- 75% in non-Convergence regions.

Additional co-financing of 10% would also be temporarily possible in 2009 to promote the economic recovery in Member States and ease investments.

**FINANCIAL IMPLICATIONS:** the proposed modification will have its impact entirely on financial year 2009 as regards commitment appropriations. For payment appropriations the impact of the decision will be spread over financial years 2010 and 2011, with a payments level estimated at EUR 750 million each year. In relation to the exceptional higher co-financing rates for 2009, the financial impact is for payments made by Member States in 2009 (Community payments budgets 2009 and 2010). The preliminary estimate of the impact is that it amounts to no more than 10% of the payment appropriations available in the budget for 2009. Nevertheless, no further financial resources for 2009 will be requested at this stage in view of the uncertainties linked to the timing of receipt of payment claims. The higher co-financing rates will hence be funded from within the existing payments budget. The Commission will review in 2009 the need for additional payment appropriations and, if necessary, propose the relevant actions to the Budget Authority.